

STRATEGIC MANAGEMENT

COURSE SYLLABUS

Sections 3 & 4

Lecturer:
Professor Tomo NODA
Office: EW1.21
Extension: 4472

Course Assistant:
Ms. Helen VARIN
Office: EW1.25
Extension: 4454

STRATEGIC MANAGEMENT

COURSE OBJECTIVE

The Strategic Management course is a journey to explore and define what we call “strategic leadership” by examining the challenges of general managers in achieving and sustaining an extraordinary performance of their firms. The course focuses on the challenge of understanding and identifying sources of superior performance to guide the development of effective strategies; the challenge of designing and engineering organisational structure, administrative systems and management processes to support the formulation and implementation of such strategies; and finally the challenge of developing people and corporate climates to mobilise resources and achieve superior performance. The mastery of these strategic, organisational and managerial challenges will transform general managers into *strategic leaders* who create value for shareholders (hence other stakeholders) of their enterprises.

The course deals with the concept of strategy and discusses both strategy formulation and implementation. Definitions of strategy abound, but they all share an element of allocation of critical resources over relatively long periods of time in the pursuit of specific goals and objectives. Strategy is enabled and constrained not only by the underlying structural, market and competitive conditions that prevail in an industry or even in a nation, but also by the resources available to management. Analytical tools and frameworks are useful to identify and understand these enabling and constraining factors—both external and internal—in developing strategies and achieving superior performance. Sustained performance, as we shall discover throughout the course, however, depends on much more than simply choosing the right strategy with the use of analytical tools and frameworks. It also depends on the processes by which strategy is formed and implemented, as well as on the firm’s administrative and behavioural contexts within which strategy is played out. In this sense, both strategy formulation and implementation are essential to achieving and sustaining superior performance.

The course covers the basic tools and frameworks of strategic analysis that lay the foundations of *strategic thinking*. However, the course’s primary intent is not on mastering specific tools and frameworks, but rather on developing *management skills* necessary for translating

strategic thinking into sound decisions and actions in the face of uncertainty, risks, and organisational complexity, and particularly in the context of very fast changing competitive and environmental conditions. Three skills are emphasised in particular in the course:

1. The ability to view the business as a whole

Functional courses such as finance, marketing or technology management, by definition, focus on one aspect of business, taking other aspects as “given”. The strategic management course aims at understanding “the whole picture” and at reconciling an organisation’s long-term goals and financial objectives, personal ambitions, market opportunities, and organisational and resource constraints. In doing so, it explores the link between a firm’s position in its external (i.e., institutional and competitive) environments and its internal structure, systems and culture.

2. The ability to adapt successfully to environmental changes.

Sustained business performance implies the successful adaptation of strategies and the subsequent deployment of resources to changing and unfamiliar environmental demands. Yesterday’s success is no guarantee for tomorrow’s, or even for survival. Firms must constantly pursue new opportunities to develop new sources of value. Success hinges upon an ability to anticipate or even induce “unforeseeable” changes, invest for the future, and redefine rules of the game (thinking “out-of-the-box”).

3. The ability to mobilise resources and foster commitment

It is often said that people are a firm’s most valuable assets. The collective commitment of people towards well-articulated goals and agreed upon priorities can mean the whole difference between outstanding performance and a mediocre one. The ability to articulate strategy within a larger meaningful purpose and provide an inspiring source of collective pride and commitment that also fulfils personal aspirations is therefore essential to superior business performance. The course therefore has a strong link with organisational behaviour course.

Beyond skills, the course aims to bring forward the *attitudes* which are expected of a strategic leader, or anyone who aspires to become one.

COURSE CONTENT

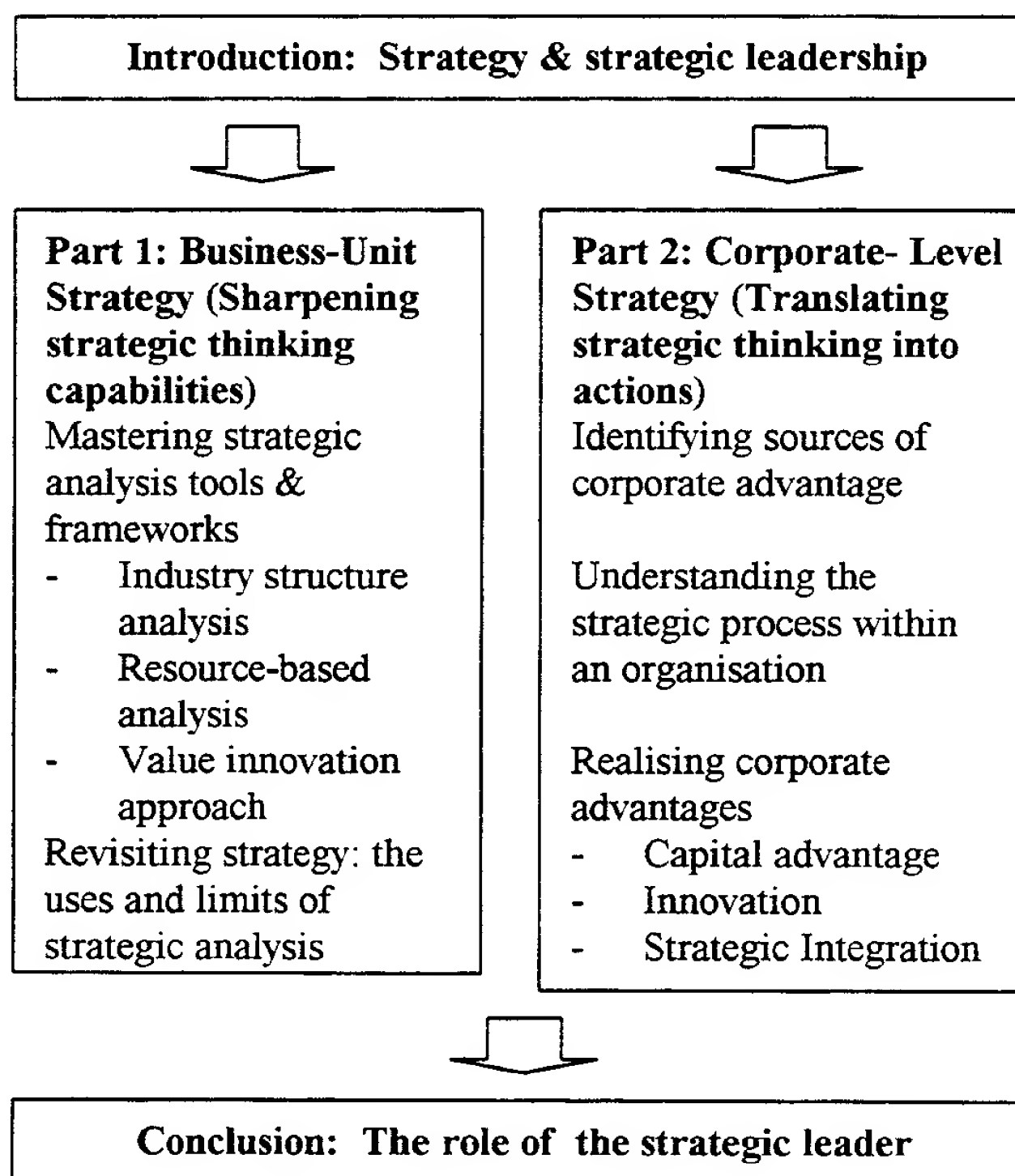
The course consists of 19 sessions, which are organised into two major parts. The first part is at the level of business-unit strategy while the second part deals with the issues relevant to corporate-level strategy.

We start the course with the discussion on **strategy and strategic leadership**. This introductory session presents an overview of the course.

The first half of the course focuses on **strategic analysis in a single product market**. It is designed to help you sharpen strategy thinking, and addresses the following question: how to enhance and sustain a competitive advantage (i.e., superior business performance)? Two schools of thought dominate contemporary theories of strategy. One school, the *industry structure analysis*, answer this question by attributing a firm’s competitive advantage to its establishment of industry positions that block and/or restrict the options of existing and

potential competitors. A second school, called *the resource-based or capability-based perspective*, pays much closer attention to the factors inside the firm. This school emphasises the firm's possession of valuable, non-imitable skills and resources and its unique configuration of these skills and resources as a source of enduring competitive advantage.

After reviewing these two schools and their conceptual frameworks, we will move to an emerging third school, *value innovation approach*. We investigate how firms can spring loose from an industry's conventional strategic logic and overcome competency limitations by articulating unrecognised customer needs, challenging the conventional rules of competition, and extending or redefining industry boundaries. The importance of this school of thought is increasing as rapid technological advances in the Internet spawn a new Information Age where knowledge is becoming the key firm's resource and an important source of competitive advantage. It may be necessary that the theory of competitive advantage should be extended or re-written in this new age where firms face much higher levels of external uncertainty and a faster and faster cycle of industry evolution.



At the end of the first half of the course, we examine the uses and limits of strategic analysis. Our discussions on strategic analysis is, explicitly or implicitly, based on the premise that strategy formulation is an intellectual, analytical exercise, and once strategy is formulated, it will be implemented without much difficulty. It is this premise that we revisit in the session called *revisiting strategy*. By examining the processes by which strategy takes shape over time, we question where strategy comes from and examine the relationship between strategy formulation and implementation. These discussions hence elucidate the uses and limits of strategic analysis.

We shift to **corporate-level strategy** in the second half of the course. We move from focusing on business unit strategy in a single product market to examining the overall corporate strategy of the multibusiness firm that operates and competes in multiple product markets. Here we aim to link strategic thinking guided by analytical frameworks with actions, explore implementation challenges, and understand management skills and attitudes required for a strategic leader.

Our central interest in this part of the course is to understand how to create and sustain a corporate advantage (i.e., superior corporate performance). We investigate this question by discussing three main issues: 1) the concept of corporate strategy, key management tasks of corporate office, and sources of corporate advantage, 2) barriers and obstacles within a

multibusiness firm to conduct those tasks and realise corresponding sources of corporate advantage, and 3) organisational capabilities and management competencies needed to guard against these barriers and obstacles and achieve superior corporate performance.

We first discuss the concept of corporate strategy in order to identify the potential sources of superior corporate performance (i.e., corporate advantage). Central theme in corporate strategy for a multibusiness firm is what roles the corporate office plays and how it adds value to its portfolio of businesses. For example, the corporate office can add value to each business by providing cheap capital and by helping the business manage its operations more efficiently and harnessing its real potential. Corporate can also provide slack resources and facilitate innovation by business units. Furthermore, corporate can add value by identifying the areas where synergies can be exploited between its businesses, and leveraging skills and resources across business units. The discussion here allows us to further stretch our strategic thinking and equip ourselves with an analytical framework that is useful in diagnosing the soundness of corporate-level strategy.

In the area of corporate strategy, however, strategic thinking is not necessarily a major problem for managers. These managers usually have a pretty good understanding of where the sources of improving corporate performance are. Their problem is rather implementation. They often do not know how such improvement can be achieved. What kind of organisational structure, administrative systems and management processes are required to exploit each source of corporate advantage more effectively and improve corporate performance? Strategic thinking, based on the understanding of the concept of corporate strategy, is meaningless unless implementation challenges are dealt with and such strategic thinking is translated into actions.

Whether a firm can realise corporate advantage depends on its ability to conduct key management tasks. We call such ability organisational capabilities in this course. Understanding the constitution of organisational capabilities, however, requires a deep appreciation of organisational processes and administrative contexts in which strategic decisions and actions are taken within a complex organisation. It is dynamic interactions between managers at multiple levels of organisation that collectively shape the overall strategic direction of the enterprise, and determine the ability of the organisation to manage the key tasks. In developing such an appreciation, we examine the reality of managerial life within an organisation and develop a framework for understanding the *strategic process within a complex organisation*.

Capitalising on such understanding, we then examine organisational capabilities required for performing a key management task in a series of sessions called *realising corporate advantage*. Special attention is given to the three major management tasks of allocating capital efficiently among businesses and managing corporate-business relationships for higher return on invested capital. of facilitating corporate entrepreneurship and renewal of the organisation, and of promoting co-ordination and integration of activities across businesses to exploit "synergies." The strategic process framework will enable us to identify possible barriers and obstacles to conducting each of the key management tasks and explore what kind of organisational structure, administrative systems and management processes are required to overcome those barriers and obstacles.

Real challenges arise when a firm tries to or is pressed to perform multiple management tasks and exploit multiple sources of corporate advantage simultaneously. In the last sessions of the course, we examine how a world-class high performing company takes up such challenges and investigate its innovative organisational architecture and behavioural context which seems to enable its managers to exploit their potential. We conclude the course by exploring **the future of the corporation** and define **the role of the strategic leader** in creating value and engineering corporate transformation.